HOW THE CLOUD IS CHANGING MSPs

The cloud is making it both easier and harder as IT managed services providers (MSPs) will have to adjust their business models to keep pace.

1. THE CLOUD IS LEVELING THE PLAYING FIELD

In CompTIA's 4th Annual Trends in Managed Services report, more end-user businesses are taking advantage of a managed services contract to handle their cloud computing needs. The traditional IT outsourcing providers, such as IBM Global Services or Accenture are finding that the cloud is enabling lower-end providers to enter their market and compete on delivery of SaaS-based services such as email and cloud-based storage.

2. MORE MSPS ARE SELLING CLOUD-BASED SERVICES

In our survey, 45% of organizations used some outside help to deliver cloud-based services. Many of these engagements, according to our data, could be included in an MSP contract. Among MSP users, 52% said they worked with an outside firm for cloud-based initiatives in the past year, which is more than twice the 21% of the organizations that didn't use any MSPs at all. In another question, only 9% of respondents who are currently using MSPs said they have no plans to deploy cloud-based applications and infrastructure, yet 60% said that it is already a part of the package of services that their MSP offers.

3. MSP ENGAGEMENTS ARE WIDE BUT NOT DEEP

Many end users are engaging MSPs for specific IT management functions and keep other areas for internal staff, and few of them go all in with hiring MSPs. So while the overall rates of managed services might be high across a customer based, the depth of these engagements might be very shallow. This is more help than hindrance for MSPs because it means that there are market opportunities that are wide open to scaling up for additional service delivery to existing clients.

Cost Savings Expected at Outset of MSP Engagement

54%
12%
4%
30%
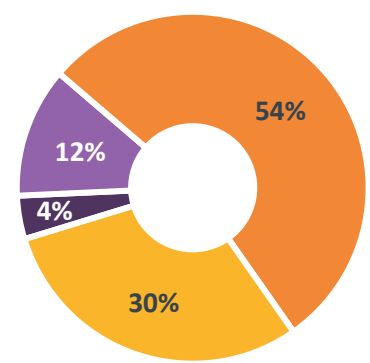
- Expected cost increase
- Cost-neutral/non-financial benefits
- Expected modest savings
- Expected significant savings

HOW END USERS CONSUME IT

60% Formal IT department with dedicated staff

37% Periodic use of outside firms/third parties for various projects and/or troubleshooting

35% Informally handled among non IT staff

21% Outsourcing/contractual arrangement with a managed services provider for ongoing responsibility for some or all of IT functions

4. IT ISN'T JUST ABOUT THE MONEY ANYMORE

While cost savings initially attracted organizations to using MSPs, it isn't the main reason any longer. Customers are looking for benefits beyond the budget reductions. The cloud has made it easier for IT to accept recurring revenue models or subscription services and makes the MSP business an easier sell. In last year's study, 57% of respondents mentioned cost savings as a primary driver, which dropped to 30% of the this year's respondents. Today it is more about how MSPs can be more specific about meeting a particular IT shop's needs. One in eight of the respondents expect MSPs to be cost-neutral and generate lots of non-financial benefits to the IT organization such as increased worker productivity. Many IT shops are realizing that cost savings are difficult to track and could have a variety of causes that have nothing to do with the move to a MSP.

5. CLOUD SERVICES HAVE CHANGED THE MSP'S TABLE STAKES

Cloud services have rewritten the rules for how managed services are purchased and deployed. It is a new customer mindset that extends beyond just managing endpoints or servers and more towards managing information and delivering business benefit from data that can move among on-premises, cloud-based servers and social networks. MSPs will have to adapt to these new mindsets if they are to succeed.

6. DESPITE CLOUD, AN MSP'S PHYSICAL LOCATION IS CRITICAL

In interviews with CIOs, we found that monthly face time with an MSP is important, meaning that MSPs should sharpen their listening skills to craft additional long-term strategic plans for their customers. So actual face-to-face meetings will be important in wining and keeping business. MSPs that were located within driving distance or who had a regional presence were preferred for more high-touch kinds of support.

IT Management Satisfaction Rates

Category	Value
Could Be Significantly Better	9%
Could Be Somewhat Better	59%
Fine As Is	59%
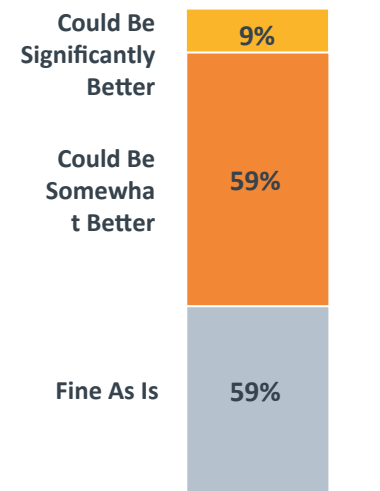
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